

How Ready Is Your Nonprofit for the Next Funding Shock?

A 10-minute self-check for nonprofit leaders and boards

Government funding is no longer stable or predictable. Funder priorities are shifting, and demand for services keeps rising. Organizations that weather it well have three things in common: **good governance**, **strategic assets** that buy them time, and **impact** they can prove.

How to score: check one box per statement. ☐ Yes = 2 ☐ In progress = 1 ☐ Not yet = 0

Governance Good governance enables good decisions

		YES	IN PROGRESS	NOT YET
1	Our board reviews financial results and the cash position at least quarterly and can name our top risks.	☐	☐	☐
2	Our financial policies and SOPs are written down, current, and consistent with what we report on Form 990.	☐	☐	☐
3	We've mapped our key risks (loss of a major funder, a key staff departure, fraud, a cyber breach) and each has a mitigation plan.	☐	☐	☐
4	We keep a multi-year financial model with best, base and worst cases, plus trigger points for when to switch to Plan B.	☐	☐	☐
5	We track a rolling 3–12 month cash flow and assess going concern throughout the year, not only at audit time.	☐	☐	☐
Governance subtotal			____/ 10	

Strategic Assets Buying time and capital to navigate change

6	We know our months of runway: how long we could operate if revenue stopped tomorrow.	☐	☐	☐
7	We calculate a Reliable Revenue Ratio during budgeting, and ours is 1.0 or higher. <i>(See reverse.)</i>	☐	☐	☐
8	We have a board-approved operating reserve policy covering its purpose, target, use, and replenishment.	☐	☐	☐
9	We fund our reserve on purpose (a budgeted surplus, windfall capture or a percentage of revenue raised) rather than with whatever is left over.	☐	☐	☐
10	Losing our largest funder would hurt but not threaten our survival. Our donor and member relationships are actively cultivated.	☐	☐	☐
Strategic Assets subtotal			____/ 10	

Impact Adding social value and earning reinvestment

11	We have a documented theory of change that links our inputs and activities to outcomes.	☐	☐	☐
12	We measure outcomes (changes in knowledge, health, housing stability, readiness), not just activity counts.	☐	☐	☐
13	We share impact results with funders in terms of the priorities they care about.	☐	☐	☐
14	Community partnerships position us as the go-to organization in our area.	☐	☐	☐
15	Impact data shapes our budget and program decisions.	☐	☐	☐
Impact subtotal			____/ 10	

YOUR SCORE ____/30	24–30 Resilient Keep it up. Stress-test your model and reserve target once a year.	15–23 Exposed A funding shock would find your gaps. Start with your lowest-scoring pillar.	0–14 At risk Act now. Run the worksheet on the reverse and start funding a reserve this year.

Tip: Your lowest subtotal shows where to focus first, whatever your total score.

Can You Survive the Next 12 Months? Run the Numbers.

Compare the cash you can count on with what you'll need

The Reliable Revenue Ratio measures your high-confidence survival horizon. **A ratio of 1.0 or higher means you could operate for at least a year** even if uncertain revenue never arrives. Build it into your annual budget.

STEP 1 Fill in your numbers for the next 12 months

A Liquidity	Cash, marketable securities, and pledges due within 12 months, <i>minus</i> donor-restricted and board-designated amounts you can't use for operations	\$ _____
B Reliable revenue	Inflows that are highly likely and reliable enough to survive reasonable disruption: signed grants and contracts, and, steady recurring giving and membership	\$ _____
C Uses	Operating expenses planned for the next 12 months	\$ _____
D Contingency	A cushion for the unexpected, such as repairs, a cyber incident, or a delayed payment	\$ _____

STEP 2 Calculate your ratio

$$\text{Reliable Revenue Ratio} = \frac{A + B}{C + D} = \frac{\underline{\hspace{2cm}}}{\underline{\hspace{2cm}}} = \underline{\hspace{2cm}}$$

Target: 1.0 or higher

1.0 or higher: a year or more of high-confidence runway. Put your surplus toward your operating reserve.

Below 1.0: you have a gap. Bring these options to your finance committee:

1. Accelerate receipts
2. Secure more funding, or bridge financing for cash flow timing
3. Request release of restricted funds for operations
4. Reduce or manage expenses
5. Accept the risk, as a documented board decision

STEP 3 Check your months of runway

$$\text{Months of runway} = \frac{\text{Cash on hand}}{\text{Avg. monthly operating expenses}} = \underline{\hspace{2cm}} \text{ months}$$

If revenue stopped tomorrow, which costs would you cut right away?

Setting a reserve target? Three months of operating expenses is a common minimum, but many organizations need more. Test how volatile your revenue and expenses are (reliance on one or two major donors, the timing of government payments, long-term leases, rising demand) to find your number.

Source: Nonprofit Operating Reserves Initiative (NORI).

Want a second set of eyes on your numbers?

ContinuServe's nonprofit finance team helps organizations build reserve policies, multi-year scenario models, and board-ready liquidity reporting.

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115+

nonprofit organizations supported annually

\$1.2B

nonprofit funding under ContinuServe management

250+

finance, accounting, HR and IT experts



Scan for our guide:
Start with Reliable
Revenue in Nonprofit
Budgeting